Registration number: 1073929

Virgin Enterprises Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019

Virgin Enterprises Limited

Contents

Virgin Enterprises Limited

Strategic Report for the Year Ended 31 December 2019

Virgin Enterprises Limited (the "Company") is principally engaged in the management, protection and development of the Virgin brand.

The Company is part of the Virgin Group, which comprises Virgin Group Holdings Limited (its ultimate parent company) and its subsidiaries. The principal activities of the Virgin Group comprise i) investment management, ii) brand licensing (which is primarily undertaken by the Company), and iii) an investment portfolio.

Virgin Management Limited ("Virgin Management"), a parent company, provides shared administrative functions across investment management and brand licensing. Virgin Management's services comprise management of all directly-managed resources including people, property and financial.

Summary financial performance and key performance indicators

For the year ended 31 December 2019 turnover totalled £71.9m, compared with £74.9m for the year ended 31 December 2018. The decrease in turnover is attributable to the termination of the Virgin Mobile Australia licence in the prior year. Profit before taxation totalled £47.2m in the year ended 31 December 2019, compared against £50.9m for the year ended 31 December 2018 due to lower administration costs in the current year.

As at 31 December 2019, the Company had net assets of £57.5m (2018: £69.2m), a decrease of 17%, following distributions made during the year.

Development and performance of the business

The Company's revenues consist of royalties under the trademark licence agreements it has entered into with companies using the Virgin brand ("Licensees"). Royalties receivable under these agreements are usually calculated as a percentage of the revenues of the Licensees, typically subject to minimum guarantees.

Principal risks and uncertainties

The Company is reliant on the strong reputation and loyalty engendered by the Virgin brand and is vulnerable to the risk of a decline in the perception of the Virgin brand, and to brand infringement. The Company has a full-time team dedicated to protecting the Virgin brand, monitoring and taking action to prevent potential brand infringement. The Company's trademark licence agreements with Licensees govern the use of its intellectual property and require its Licensees to abide by the quality control standards with respect to such use.

The Company is reliant on royalty income from its trademark licence agreements and any material adverse change in the business or market in which any of the licensees operate or termination of a licence could affect the level of royalty income received. The Company takes steps to mitigate this risk through a wide distribution of Licensees across a number of different geographies and industries, and through setting minimum guaranteed royalty payments in contracts, and through actively monitoring its Licensee relationships.

Impact of Covid 19

Covid-19 has had a significant impact on the Company's licensees which have been required to suspend operations as a result of necessary decisions taken by Governments in multiple jurisdictions following the Covid outbreak.

The adverse impact on the Company's brand licensing revenues and the carrying value of the Company's intellectual property assets is very difficult to quantify given the constantly evolving situation and unknown duration of current measures.

Virgin Enterprises Limited

Strategic Report for the Year Ended 31 December 2019

Going concern

As set out in note 1.2 to the Financial Statements, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Section 172 Companies Act 2006

The Directors have acted in a way that they consider, in good faith, is most likely to promote the success of the Company for the benefits of its members as a whole, and in doing so have regard to the stakeholders and matters set out in s172(1) of the Companies Act 2006 in the decisions taken during the year as set out below.
Since Virgin Management provides management services to the Company with respect to people, property and financial resources, reference is made to Virgin Management's policies and processes where relevant.

a) The likely consequence of any decision in the long term

The Company is a long-term purpose-led brand owner. As such, key decisions made relating to the brand and the brand licensing business take into consideration the long-term consequences and outcomes of:
• expected growth in shareholder value derived by the brand licensing business;
• impact on the Virgin Group's medium to long-term liquidity;
• impact on the Virgin brand.

The Board of the Company annually agrees a 5-year plan relating to the brand licensing business. The plan encompasses a review of all Licensees, expected royalty forecasts and corporate development.

Key decisions made by the Board during the year included:
• entering into new financing arrangements including a new multicurrency revolving facility;
• entering into new or amended trademark licence agreements with licensees including Virgin Red

b) The interest of the company's employees

At the Virgin Group, we believe that all our people should feel they can be 100 per cent themselves at work. That can only occur when we achieve a truly diverse work force which we are striving for and working together to achieve across the Virgin Group.

Diversity & Inclusion: All companies within the Group aim to make an inclusive workplace for everyone, regardless of age, gender, race, sexual orientation, disability, religion and belief or non-belief.
Communication & Engagement: we seek to operate a framework of employee communication and engagement initiatives which helps our people feel a sense of shared purpose and connection with our business strategy, and to facilitate a two-way dialogue between our people and the board. This is achieved through company intranet, newsletters, employee forums and use of engagement surveys.

Learning & Development: we commit to equipping our people with the expertise and knowledge they need to be successful in their current role and supporting them in continuing to grow and develop their career.

As an employer Virgin Management is committed to achieving real diversity through policies, engagement and empowerment of its people as demonstrated by:

• the adoption of progressive and innovative employee policies, including flexible working, unlimited holiday and enhanced shared parental leave;

• the establishment of D&I working groups in 2018 for key protected characteristics with each group being led by a Director or member of the Branson family;
• being a signature to the Race at Work Charter, established by Business in the Community;
• weekly updates, live Q&As and quarterly meetings for all Virgin Management employees led by the Chief Executive Officer to update on activity across the Virgin Group; and
• a comprehensive training programme on diverse areas such as resilience, wellbeing, project management and objective setting are open to all employees of Virgin Management.

c) The need to foster the company's business relationships with suppliers, customers and others

The main suppliers are service providers such as legal firms, consultancies, marketing agencies, IT support, HR services, facilities and travel. Close working relationships are maintained with key suppliers and we work constructively with many of them to share best practices on matters such as environmental and labour standards.

The Company fosters particularly close relationships with its Licensees given their use of the Virgin brand and through engagement as a brand licensor where standards/principles are mandated, and metrics such as customer and people experience (including Net Promoter Score), ethical procurement and purpose are tracked and discussed at regular Brand engagement forums.

d) The impact of the company's operations on the community and environment

The Board understands that the Virgin Group's environmental impact including climate change and the response to it will have a critical impact on the sustainability, performance and value of its Licensees as well as the reputation of the Virgin brand. The Virgin Group has committed to net-zero greenhouse gas emissions by 2050.

As part of the Group's awareness of its social responsibility, we engage in a comprehensive range of activities:
• financial and operational support for Virgin Unite, the independent entrepreneurial foundation of the Virgin Group and the Branson family (the value of donations and support in the financial year 2019 made by the Company were approximately £1.6m);
• a proactive advocacy agenda which supports and campaigns for social change, such as the integration of refugees in the UK;
• the promotion of progressive policies across the Virgin Group, such as recruiting ex-offenders in the UK

In the community, Virgin Management supports specific local initiatives which in 2019 included the North Paddington Foodbank and Christmas gifts for children in-patients at St Mary's Hospital Paddington.

e) The desirability of the company maintaining a reputation for high standards of business conduct

Virgin Management has specific policies on modern slavery, anti-bribery and corruption and undertakes due diligence on potential investments, partners, suppliers and other third parties, to ensure high ethical standards are applied. These policies are regularly reviewed and all employees are required to complete interactive training to embed their understanding.
The Virgin Group also understands that business has a wider responsibility to promote good and should not exist purely for commercial profit. We understand that the tax we pay is an important part of our wider economic and social impact and plays a key role in development, both inside and outside the UK. The Virgin Group pays tax on business profits in the jurisdiction in which those profits are generated. The Company is tax resident in the UK and therefore pays UK tax on the royalties it receives from its global Licensees. The Virgin Group's approach to tax is explained in its Tax Strategy Statement which is available on www.virgin.com.

f) The need to act fairly as between members of the company

The Virgin Group has been in operation for 50 years having been founded by Sir Richard Branson in 1970. He remains the sole shareholder of Virgin Group Holdings Limited, the ultimate parent of the Company.

Approved by the Board on 26 June 2020 and signed on its behalf by:

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C R V Vile
Company secretary
The Battleship Building
179 Harrow Road
London
W2 6NB

Virgin Enterprises Limited

Directors' Report for the Year Ended 31 December 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Results and dividends

The profit for the year, after taxation, amounted to £37.2m (2018: £41.9m).

During the year the Company declared and settled a dividend of £48.9m (2018: £85.0m).

Charitable Donations

In 2019 donations of £1,619,396 (2018: £nil) were made to Virgin Unite, the independent entrepreneurial foundation of the Virgin Group and the Branson family.

Directors' of the company

The directors, who served during the year, were as follows:

I P Woods

L Thomas

J Bayliss (resigned 23 January 2020)

Disclosure of information to the auditors

Each of the persons who are directors at the time when the Directors' Report is approved has confirmed that:

- so far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006 the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board on 26 June 2020 and signed on its behalf by:

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C R V Vile
Company secretary
The Battleship Building
179 Harrow Road
London
W2 6NB

Virgin Enterprises Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

Virgin Enterprises Limited

Independent Auditor's Report to the Members of Virgin Enterprises Limited

Opinion
We have audited the financial statements of Virgin Enterprises Limited ("the company") for the year ended 31 December 2019, which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern
The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Virgin Enterprises Limited

Independent Auditor's Report to the Members of Virgin Enterprises Limited

Strategic report and directors' report
The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.
Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.Based solely on that work:
• we have not identified material misstatements in the strategic report and the directors' report;
• in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
• in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report to you if, in our opinion:
• adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
• the financial statements are not in agreement with the accounting records and returns; or
• certain disclosures of directors' remuneration specified by law are not made; or
• we have not received all the information and explanations we require for our audit.
We have nothing to report in these respects.

We have nothing to report in these respects.

Directors' responsibilities
As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Independent Auditor's Report to the Members of Virgin Enterprises Limited

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Stephen Oxley (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
London
E14 5GL

26 June 2020

Virgin Enterprises Limited

Profit and Loss Account for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Turnover	3	71,869	74,911
Administrative expenses		(25,971)	(26,516)
Other operating income	4	634	344
Operating profit	5	46,532	48,739
Interest receivable and similar income	9	1,452	2,129
Interest payable and similar expenses	10	(739)	-
		713	2,129
Profit before tax		47,245	50,868
Tax on profit		(10,072)	(8,958)
Profit for the year		37,173	41,910

There were no recognised gains and losses for 2019 and 2018 other than those included in the Profit and Loss Account.

Virgin Enterprises Limited

(Registration number: 1073929)
Balance Sheet as at 31 December 2019

	Note	31 December 2019 £ 000	31 December 2018 £ 000
Fixed assets			
Intangible assets	12	57,749	63,167
Current assets			
Debtors	13	40,216	50,310
Cash at bank and in hand	15	7,150	16,441
		47,366	66,751
Creditors: Amounts falling due within one year	14	(24,258)	(38,553)
Net current assets		23,108	28,198
Total assets less current liabilities		80,857	91,365
Creditors: Amounts falling due after more than one year	14	(23,308)	(22,123)
Net assets		57,549	69,242
Capital and reserves			
Called up share capital	16	6,365	6,365
Share premium reserve		2,600	2,600
Profit and loss account		48,584	60,277
Shareholders' funds		57,549	69,242

Approved by the Board on 26 June 2020 and signed on its behalf by:

DocuSigned by:

Lisa Thomas

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L Thomas

Director

The notes on pages 13 to 26 form an integral part of these financial statements.

Virgin Enterprises Limited

Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2019	6,365	2,600	60,277	69,242
Profit for the year	-	-	37,173	37,173
Total comprehensive income	-	-	37,173	37,173
Dividends	-	-	(48,866)	(48,866)
At 31 December 2019	6,365	2,600	48,584	57,549

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2018	6,365	2,600	103,367	112,332
Profit for the year	-	-	41,910	41,910
Total comprehensive income	-	-	41,910	41,910
Dividends	-	-	(85,000)	(85,000)
At 31 December 2018	6,365	2,600	60,277	69,242

The notes on pages 13 to 26 form an integral part of these financial statements.

1 Accounting policies

1.1 Basis of preparation
The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") and the Companies Act 2006.These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRS'), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

1.2 Going concern
The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, given the net asset position of the Company. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

In making this assessment, the Directors have considered the impact of the Covid-19 pandemic on the Company's licensee businesses which have been required to suspend operations as a result of necessary decisions taken by governments in multiple jurisdictions. In particular, the Directors have considered:

Royalties: Royalty deferrals, recoverability of royalties receivable from licensees and reduced royalty revenue due to the impact of government restrictions and reduced consumer demand.

Liquidity: Access to undrawn credit facilities, compliance with borrowing requirements, recoverability of intercompany debtors due to wider Virgin group impacts, and access to other sources of liquidity.

1.3 Debtors
Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as fixed assets.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the debtors.

1.4 Creditors
Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

1.5 Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

1.6 Financial assets and liabilities

Classification

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the relevant instrument. In accordance with IFRS 9, financial instruments are recorded initially at fair value. Subsequent measurement of those instruments at the balance sheet date reflects the designation of the financial instrument. The Company determines the classification at initial recognition and re-evaluates this designation at each reporting date except for those financial instruments measured at fair value through profit or loss.

Recognition and measurement

Non-derivative financial assets are deemed to be assets which have no fixed or determinable payments that are not quoted in an active market and would therefore be classified as 'loans and receivables'. Such non-derivative financial assets are measured at amortised cost using the effective interest method, less any impairment and include trade and other receivables. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Non-derivative financial liabilities are initially recorded at fair value less directly attributable transaction costs, and subsequently at amortised cost and include loans and borrowings and trade and other payables.

Impairment

Impairment of non-derivative financial assets

The Company assesses at each balance sheet date whether a non-derivative financial asset is impaired. The expected credit loss approach is taken when calculating impairments on financial assets. All financial assets are reviewed for historic write-offs and this proportion is applied to its class of financial assets to calculated the required provision.

Derecognition of non-derivative financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Derecognition of non-derivative financial liabilities

The Company derecognises a financial liability only when the Company's obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts are recognised in profit or loss.

1.7 Foreign currency

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

1.8 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash generating units ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed if and only if the reasons for the impairment have ceased to apply.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.9 Dividend income

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

1.10 Employee Benefits

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

1.11 Finance income and costs policy

Interest receivable and interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities, finance leases recognised in the profit and loss account using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

1.12 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

1.13 Intangible assets

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

Goodwill is not subject to amortisation but is tested for impairment.

Negative goodwill arising on an acquisition is recognised directly in the income statement. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the income statement on disposal.

Separately acquired trademarks and licences are shown at historical cost.

Trademarks, licences (including software) and customer-related intangible assets acquired in a business combination are recognised at fair value at the acquisition date.

Trademarks, licences and customer-related intangible assets have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses.

1.14 Turnover

Turnover comprises royalties receivable under trademark licence agreements, which the Company has entered into with companies using the Virgin brand licence. Royalties are typically based on a percentage of the revenues of the Licensee, subject to minimum guarantees, and are recognised in accordance with IFRS 15's principle-based five-step model as follows:

- contract with a customer is identified;
- "contract performance obligations are identified;
- transaction price is determined;
- transaction price is allocated to each performance obligation; and
- upon satisfaction of each performance obligation the turnover is recognised.

1.15 Changes resulting from adoption of IFRS 16

IFRS 16 'Leases' is mandatory for the current accounting period. This standard replaces IAS 17 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. As the company is not party to any leases, the adoption of IFRS 16 has had no impact on the financial statements. There were no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019 which have had any impact on the company.

1.16 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made they are charged to the provision carried on the balance sheet.

2 Subsequent events

The Covid-19 outbreak developed rapidly in 2020. The measures taken by Governments around the world to contain the virus have had a significant impact on business activity and will have a significant impact on the Company's brand licensing revenues and intellectual property assets.

It is not possible to estimate reliably the exact impact on the Company's brand licensing revenue or carrying value of the Company's intellectual property assets due to the current uncertainties which exist around consumer demand; access to government support; the recovery of the global economy; and the duration of government imposed restrictions which impact licensee businesses.

Virgin Enterprises Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

3 Turnover

The analysis of the company's turnover for the year from continuing operations is as follows:

	2019 £ 000	2018 £ 000
Royalties received	71,869	74,911

The analysis of the company's turnover for the year by market is as follows:

	2019 £ 000	2018 £ 000
United Kingdom	45,742	40,069
European Union (excluding United Kingdom)	1,518	1,916
Europe - Other	3,191	3,024
South America	-	2,178
North America	7,925	7,830
Middle East and Africa	2,318	3,015
Asia	1,847	230
Oceania	9,328	16,649
	71,869	74,911

4 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2019 £ 000	2018 £ 000
Other operating income	634	344

5 Operating profit

Arrived at after charging/(crediting)

	2019 £ 000	2018 £ 000
Foreign exchange losses/(gains)	(150)	1,060
Amortisation	3,469	3,468
Impairment	1,950	0
Employers Pension Costs	199	158
Employers Salary Sacrifice Pension Costs	195	154

Virgin Enterprises Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

6 Auditors' remuneration

	2019 £ 000	2018 £ 000
Audit of the financial statements	16	16
	16	16

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2019 £ 000	2018 £ 000
Wages and salaries	4,928	4,248
Social security costs	611	234
Pension costs, defined contribution scheme	394	312
	5,933	4,794

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2019 No.	2018 No.
Administration and support	34	27

The majority of employees are employed by Virgin Management Limited and their costs are recharged to Virgin Enterprises Limited and included within staff costs accordingly.

Virgin Enterprises Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

8 Directors' remuneration

	2019 £ 000	2018 £ 000
Directors' emoluments	713	1,288
Company contributions to defined contribution pension schemes	12	12
	725	1,300

During the year retirement benefits were accruing to 2 directors (2018: 2) in respect of defined contribution schemes.

Remuneration for certain directors is paid by other Virgin Group entities.

In respect of the highest paid director:

	2019 £ 000	2018 £ 000
Remuneration	700	1,200

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £0.01m (2018: £0.01m).

9 Interest receivable and similar income

	2019 £ 000	2018 £ 000
Interest income from group companies	1,436	1,665
Net foreign exchange gains	-	440
Other finance income	16	24
	1,452	2,129

10 Interest payable and similar expenses

	2019 £ 000	2018 £ 000
Interest expense on contract liabilities	677	-
Net foreign exchange losses	62	-
	739	-

Virgin Enterprises Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

11 Taxation

	2019 £ 000	2018 £ 000
Corporation tax		
UK corporation tax	9,712	9,341
Adjustments in respect of previous periods	645	(188)
Foreign Tax relief	(1,066)	(1,583)
Total current tax	9,291	7,570
Foreign tax	933	1,385
Total current income tax	10,224	8,955
Deferred taxation		
Arising from origination and reversal of temporary differences	(43)	-
Adjustments in respect of previous periods	(109)	3
Total deferred taxation	(152)	3
Tax expense in the income statement	10,072	8,958

Factors affecting tax charge for the year

The charge for the year can be reconciled to the profit per the profit and loss account as follows:

	2019 £ 000	2018 £ 000
Profit on ordinary activities before tax	47,245	50,868
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	8,977	9,665
Increase/(decrease) in current tax from adjustment for prior periods	537	(186)
Increase from effect of different UK tax rates on some earnings	5	-
Increase from effect of expenses not deductible in determining taxable profit	662	233
Decrease from effect of foreign tax rates	-	(135)
Decrease arising from overseas tax expensed	-	(619)
Decrease from effects of double taxation relief	(108)	-
Total tax charge	10,072	8,958

12 Intangible assets

	Trademarks, patents and licenses £ 000	Total £ 000
Cost or valuation		
At 1 January 2019	94,779	94,779
At 31 December 2019	94,779	94,779
Amortisation		
At 1 January 2019	31,612	31,612
Amortisation charge	3,468	3,468
Impairment charge	1,950	1,950
At 31 December 2019	36,030	36,030
Carrying amount		
At 31 December 2019	57,749	57,749
At 31 December 2018	63,167	63,167

The carrying value of intangible assets was compared to the expected future cash flows associated with the assets at 31 December 2019. This resulted in an impairment of £1.95million.

Virgin Enterprises Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

13 Trade and other debtors

	31 December 2019 £ 000	31 December 2018 £ 000
Trade debtors	4,970	2,157
Debtors from group related undertakings	16,816	27,962
Prepayments and contract assets	17,209	19,924
Other debtors	4	193
Corporation tax	991	-
Deferred taxation	226	74
	40,216	50,310

14 Trade and other creditors

	31 December 2019 £ 000	31 December 2018 £ 000
Trade creditors	288	269
Accrued expenses and contract liabilities	5,809	4,789
Amounts due to group related undertakings	15,055	26,219
Corporation tax	-	1,197
Other creditors	3,106	6,079
	24,258	38,553

Creditors amounts falling due after more than one year	31 December 2019 £ 000	31 December 2018 £ 000
Contract liabilities	23,308	22,123
	23,308	22,123

Amounts falling due after more than one year relate to prepaid royalties on fixed term licence agreements.

Financing

On 24 January 2019, Virgin Holdings Limited, Virgin Enterprises Limited and VEL Holdings Limited as borrowers and guarantors, entered into a new £250 million multi-currency revolving credit facility with Lloyds Bank plc, Barclays Bank plc and Royal Bank of Canada, comprising "RCF A", a one-year £100 million facility, and "RCF B", a three-year £150 million facility. RCF A was cancelled on 13 December 2019.

RCF B is guaranteed by Virgin Holdings Limited, Virgin Enterprises Limited, VEL Holdings Limited, Virgin Group Holdings Limited and Virgin Aviation TM Limited.

On 31 December 2019, £nil was drawn down under the RCF B.

15 Cash and cash equivalents

	31 December 2019 £ 000	31 December 2018 £ 000
Cash at bank	7,150	16,441

16 Share capital

Allotted, called up and fully paid shares

	31 December 2019		31 December 2018	
	No. 000	£ 000	No. 000	£ 000
Ordinary Shares of £1 each	6,365	6,365	6,365	6,365

Dividends

During the year the Company declared and settled dividends of £48.9m (2018: £85.0m).

17 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £394,000 (2018: £312,000).

Virgin Enterprises Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

18 Related party transactions

At 31 December 2019, the Company's ultimate parent undertaking was Virgin Group Holdings Limited, whose sole shareholder is Sir Richard Branson. The shareholder of Virgin Group Holdings Limited has interests directly or indirectly in certain other companies which are considered to give rise to related party disclosures under International Accounting Standard 24: Related Party Disclosures.

As a 100% owned subsidiary of Virgin Group Holdings Limited, the Company has taken advantage of the exemption under FRS 101: Reduced Disclosure Framework, which enables it to exclude disclosure with Virgin Group Holdings Limited and its wholly owned subsidiaries.

	Royalty Revenue £000	Debtors £000	Accrued income £000
2019			
Vieco 10 Limited	131	23	11
Virgin Hotels LLC	402	5	117
Virgin Rail Group Holdings Limited	3,423	827	3
Other related companies	163	20	20
	4,119	875	151
2018			
Virgin Rail Group Holdings Limited	2,137	733	842
Other related companies	498	180	97
	2,635	913	939

19 Controlling party

At 31 December 2019, the Company's ultimate parent undertaking was Virgin Group Holdings Limited, a company incorporated in the British Virgin Islands.

The largest and smallest groups into which the Company's results are consolidated are those of Virgin UK Holdings Limited and Virgin Holdings Limited repectively, both companies are registered in England and Wales. The consolidated financial statements of these groups can be obtained from Companies House, Crown Way, Cardiff CF14 3UZ.

20 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from the estimates calculated.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The following accounting policies are considered critical accounting policies as they require a significant amount of management judgement and the results are material to the financial statements.

Fair value measurements and valuation process

Some of the Company's assets are measured at fair value for financial reporting purposes. The Company has determined the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset, the Company uses market-observable data to the extent it is available.